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PP RUEHMA RUEHPA
DE RUEHDK #2887 3380803
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P 040803Z DEC 06
FM AMEMBASSY DAKAR
TO RUEHC/SECSTATE WASHDC PRIORITY 7028
INFO RUCPDO/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHRC/USDA FAS WASHINGTON DC
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION
RUEHZK/ECOWAS COLLECTIVE

UNCLAS DAKAR 002887

SIPDIS

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STATE FOR EB/TPP/ABT, OES/IHA, AF/W AND AF/EPS
STATE PASS USTR/ENV
USDOC FOR 4510/OA/PMICHELINI, AROBINSON-MORGAN/KBOYD
USDOC FOR 3131/CS/ANESA/OIO/GLOOSE/GLITMAN/MSTAUNTON
USDOC PASS DHYLTON/OCC

E.O. 12958: N/A

TAGS: [EAGR](#) [BEXP](#) [ETRD](#) [EINV](#) [AMGT](#) [SG](#)

SUBJECT: PHILIP MORRIS INTERNATIONAL TO BUILD CIGARETTE PLANT IN
SENEGAL

REF: 05 STATE 50339

¶1. This is an action request for State Economic Bureau, Office of Trade Policy and Commerce, Office of Chief Counsel for International Commerce. See paragraph 6.

Summary

¶2. Per Reftel, Post seeks guidance on Tobacco company Philip Morris International's (PMI) request for a letter of support as they proceed with construction of a new USD 30 million cigarette manufacturing and distribution center in Senegal. Once completed, PMI would be the second largest U.S. investor in Senegal. PMI is concerned about the imposition of an increased import tax and may request additional USG assistance if they conclude this is an illegal, protectionist effort that only applies to PMI imports. End Summary.

¶3. Tobacco company Philip Morris International (PMI) has announced plans to build a USD 30 million cigarette manufacturing and distribution plant in Senegal. The plant, PMI's first manufacturing facility in Africa, would employ 400 workers. PMI would export cigarettes produced in Senegal throughout the eight-country West Africa Economic Monetary Union (WAEMU) region. To ensure that the construction of the plant proceeds as planned, PMI representatives have requested a letter of support from Ambassador Jacobs to express the U.S. Government's expectation that PMI will receive the GOS's full and unbiased cooperation as they proceed with construction. Until the completion of the plant, PMI will import its Marlboro brand of cigarettes from the U.S., which until September 2006, were imported into Senegal by PMI's former Senegalese partner Mtoa Imperial.

¶4. PMI expects to begin production of its Marlboro brand of cigarettes in September 2007 at which time it will halt the importation of this brand. According to PMI, Senegal's Investment Promotion Agency (APIX) has been instrumental in helping PMI identify a site and secure a construction permit in six months. In Senegal's challenging investment climate, PMI considers this a record feat. However, Senegal's Directorate of Customs suddenly imposed a 30 percent tax (officially called a "minimum import price") on the first container of cigarettes PMI imported into Senegal.

¶5. PMI believes that the 30 percent tax has been instigated by its former partner--now competitor, Mtoa Imperial Tobacco. Mtoa is a Senegalese company and is the only local cigarette manufacturer. PMI is now the largest importer of tobacco products in Senegal with

minor competition from local importers and, upon completion of the plant, will be Mtoa's biggest competitor. PMI has agreed to pay the tax, with the caveat that that each of its competitors pay the same "minimum import price".

¶16. PMI also questions whether WTO procedures were properly observed since, according to PMI, the tax went into effect overnight. PMI estimates that the additional tax will cost over USD 3 million through September 2007.

Action Request

¶17. Post requests guidance on whether to send a letter from the Ambassador to appropriate GOS officials expressing U.S. Government support of PMI's investment in Senegal. Post also requests guidance on whether to advocate on behalf of PMI regarding tax and other alleged unfair treatment, if requested.

Jacobs